

HCS SCS SB 385 -- WORKERS' COMPENSATION

SPONSOR: Scott (Luetkemeyer)

COMMITTEE ACTION: Voted "do pass" by the Committee on Financial Services by a vote of 16 to 0.

This substitute changes the premium tax charged on the discounted portion of high-deductible workers' compensation policies to an "administrative surcharge." Under current law, this premium tax results in retaliatory taxes being imposed in other states upon Missouri-based insurers doing business in those other states. A late-payment charge of 0.5% will apply to late payments of the surcharge and interest for late payments will accrue at a rate of 1.5% for each month the payment is delinquent. Records required to be filed with the Division of Workers' Compensation pursuant to this law will be closed records. The substitute does not apply to self-insureds. The division will start collecting the surcharge on January 1, 2004.

FISCAL NOTE: Cost to Insurance Dedicated Fund of \$47,373 in FY 2004, \$0 in FY 2005, and \$0 in FY 2006.

PROPOSERS: Supporters say that by changing the tax to a surcharge, the bill as it passed the Senate evens the playing field for Missouri-based insurance companies that sell insurance to employers in other states.

Testifying for the bill were Senator Scott; and Safety National Casualty Corporation.

OPPONENTS: Those who oppose the bill say that it will have unintended consequences. Premiums taxes are used to fund the Division of Workers' Compensation. When those costs increase, so will the tax, which will force the insurers to charge more for premiums. The net effect will be an increase in the costs to Missouri employers who use a workers' compensation carrier from outside the State of Missouri. Those increased costs put these employers at a competitive disadvantage.

Testifying against the bill were American Insurance Association; and David Klarich.

Richard Smreker, Senior Legislative Analyst